# The Synthetic Trap, Modeled: What IGME and GMEY's Actual Filings Show About the Warrant-Adjustment Bleed

*Written April 20, 2026. All holdings figures from N-PORT filings and fund sponsor disclosures. All OCC references from published Information Memos.*

---

## The short version

Two ETFs — Bitwise's IGME and YieldMax's GMEY — sell synthetic covered calls on GME. Both launched into the warrant event. Their actual schedules of investments, reconciled against OCC Memos #57373, #57378, and #57391, show them running an asymmetric book: long calls on the **standard** GME contract, short puts on the **adjusted 2GME** contract. This mismatch is not accidental. It produces measurable NAV bleed, observable in the Return of Capital composition of their distributions, and it does not reverse until the warrants expire on October 30, 2026 and the OCC restores standard deliverables (expected November 2, 2026).

Below: the filings, the math, the model, and the projection.

---

## 1. The event, on the record

GameStop announced a special warrant dividend on September 9, 2025. Distribution terms per GameStop's press release and the warrant agreement:

| Term | Value |
|---|---|
| Record date | October 3, 2025 |
| Distribution date | October 7, 2025 |
| Ratio | 1 warrant per 10 shares |
| Warrants issued | ~59 million |
| Strike | $32.00 |

| | |
|---|---|
| Expiration | October 30, 2026 |
| Listing | NYSE as GME.WS |
| Potential proceeds if fully exercised | ~$1.9 billion |

Convertible noteholders of the 2030 and 2032 notes also received warrants on an as-converted basis: 3.34970 warrants per $1,000 face of 2030 notes; 3.45872 warrants per $1,000 face of 2032 notes.

As of April 20, 2026:

- GME: $24.13
- GME.WS: $3.66
- GME.WS 52-week range: $2.25 – $5.99
- Warrants remain deeply out-of-the-money against the $32 strike

---

## 2. The OCC adjustment, on the record

OCC Information Memo **#57373** (October 2, 2025) and companion **#57378** (October 3, 2025) and **#57391** (October 8, 2025) govern the treatment of listed GME options. The key provisions:

**Contract renaming.** All open GME options contracts renamed to GME1, 1GME1, or 2GME1 depending on adjustment sequence. 2GME1 contracts are the most common form seen in fund filings.

**Deliverable change.** Per contract deliverable changes from 100 shares GME to:

- 100 shares GME common (CUSIP 36467W109)
- **plus** 10 GME warrants (CUSIP 36467W117)

**Stated allocation.** Memos indicate a 95% stock / 5% warrant value split at the time of adjustment.

**Critical pricing quirk.** Memo #57378 states that for calculating a GME1 price for expiration processing (Ex-by-Ex), OCC uses a formula that **does not include an estimate of the value of the GME warrants**. Auto-exercise decisions at expiration are made on a warrant-excluded basis, even though the deliverable itself includes warrants. This creates a live asymmetry for every GME1 contract at expiration.

**Reversion.** GME WS component remains in the GME1 deliverable until warrants expire. Further adjustment expected **November 2, 2026** to remove the warrant component and revert to standard 100-share deliverable.

**Explicit short-risk language.** Memo #57373: "holders of short put positions who are assigned will be required to purchase GME stock whose value may have been substantially diminished by the Warrants distribution." The OCC put this in writing. It is not subtle.

---

## 3. IGME holdings timeline, from SEC filings

IGME launched June 9, 2025. The following is the progression of its options book through the adjustment, drawn from the fund's published Schedule of Investments and current holdings disclosures.

### 3a. September 30, 2025 — three days before record date

From IGME's N-PORT Schedule of Investments filed with the SEC (unaudited), net assets $2,341,246:

**Purchased Options (long calls):**

| Contract | Qty | Strike | Expiry | Notional | Market Value |
|---|---|---|---|---|---|
| GME Call | +519 | $26.01 | 10/17/25 | $1,349,919 | $101,584 |
| GME Call | +325 | $27.01 | 10/17/25 | $877,825 | $45,672 |

**Written Options (short):**

Short calls (income leg):

| Contract | Qty | Strike | Expiry | Value |
|---|---|---|---|---|
| GME Call | -200 | $28.00 | 10/03/25 | -$6,000 |
| GME Call | -184 | $29.00 | 10/03/25 | -$2,944 |
| GME Call | -300 | $27.00 | 10/17/25 | -$41,700 |
| GME Call | -160 | $29.00 | 10/17/25 | -$12,320 |

Short puts (synthetic long partners):

| | | | | |
|---|---|---|---|---|

| Contract | Qty | Strike | Expiry | Value |
|---|---|---|---|---|
| GME Put | -519 | $26.01 | 10/17/25 | -$33,102 |
| GME Put | -325 | $27.01 | 10/17/25 | -$35,210 |

Note the structure: the long calls at $26.01 and $27.01 exactly match the short puts at $26.01 and $27.01 in quantity and strike. That is textbook synthetic long construction via long call + short put at identical strike and expiry. The short calls at $27, $28, $29 are the separate income leg.

Also note the odd-dollar strikes ($26.01, $27.01). Standard GME listed options strike in whole and half dollars. The `.01` strikes mark these as adjusted contracts, implying GME had prior corporate actions or these were already-in-adjustment contracts when the warrant event hit.

### 3b. March 19, 2026 — mid-adjustment

From IGME's published holdings (per fund website, dated 03/19/2026):

| Contract | Qty | Strike | Expiry |
|---|---|---|---|
| GME Call (short) | -505 | $24.50 | 03/27/26 |
| 2GME Put (short) | -505 | $23.01 | 04/17/26 |
| Cash | — | — | $1,267,059 |

Notice: the short call is now in the **standard GME** series at a round strike of $24.50, while the short put is in the **2GME adjusted** series at $23.01. The fund has been rolling positions but maintaining this split.

### 3c. April 16, 2026 — current

From IGME holdings (per fund website, dated 04/16/2026), net assets $1,268,861:

| Contract | Qty | Strike | Expiry | Market Value |
|---|---|---|---|---|
| GME Call (long) | +505 | $24.00 | 05/15/26 | +$76,760 |
| GME Call (short) | -505 | $25.50 | 05/08/26 | -$34,340 |
| 2GME Put (short) | -505 | $24.01 | 05/15/26 | -$41,460 |
| Cash | — | — | — | $1,267,901 |

Structure now fully visible:

- **Synthetic long** = Long GME C24 (standard) + Short 2GME P24.01 (adjusted) — same 5/15/26 expiry
- **Income leg** = Short GME C25.50 (standard) — 5/8/26 expiry

The synthetic long is built across two different contract series. The long leg references plain GME (100 shares). The short leg references GME1 (100 shares + 10 warrants). They are not matched books.

### 3d. Performance context

IGME NAV performance (per fund disclosures):

- Since inception (6/9/2025) cumulative: **-11.98%** (as of 3/30/2026)
- 3-month: +16.72%
- 1-month: -0.73%
- Distribution rate: 40.38% annualized
- Most recent distribution ROC component: **57%**
- Current NAV: $25.37
- Shares outstanding: 50,004

---

## 4. GMEY holdings timeline, from filings

GMEY launched September 8, 2025 — one day before the warrant announcement.

### 4a. March 5, 2026 — current holdings

From GMEY's published top 10 holdings (YieldMax ETF website, 03/05/2026), net assets $1,700,595:

| Holding | CUSIP | Shares/Contracts | Market Value | Weight |
|---|---|---|---|---|
| U.S. Treasury Bill 08/06/2026 | 912797RG4 | 1,128,000 | $1,110,894 | 65.32% |
| U.S. Treasury Bill | 912797RS8 | 374,000 | $367,316 | 21.60% |

| | | | | |
|---|---|---|---|---|
| 09/03/2026 | | | | |
| First American Gov Obligations Fund | 31846V336 | 125,944 | $125,944 | 7.41% |
| Cash & Other | — | — | $110,047 | 6.47% |
| GME Call (long) | 260417C00024000 | +607 | $107,136 | 6.30% |
| GME Call (long, leftover) | 260306C00025000 | +607 | $3,339 | 0.20% |
| GME Call (short, income) | 260306C00024000 | -607 | -$14,872 | -0.87% |
| 2GME Put (short) | 260417P00024010 | -607 | -$109,242 | -6.42% |

Structure:

- **Synthetic long** = Long GME C24 04/17/26 (standard) + Short 2GME P24.01 04/17/26 (adjusted)
- **Income leg** = Short GME C24 03/06/26 (standard) — weekly rolls
- Massive Treasury/cash collateral (93%+ of assets)

Same asymmetric pattern as IGME. Long leg in standard GME; short put leg in adjusted 2GME.

### 4b. Performance context

GMEY NAV performance:

- Since inception (9/8/2025) cumulative (to 12/31/2025): -15.31%
- Since inception to 2/28/2026: -6.35% (so recovered somewhat)
- YTD 2026 through 2/28: +10.58%
- Distribution rate: 56.70% annualized
- Recent ROC: **68.00%** (most recent, 3/4/2026)
- ROC trailing pattern runs 60–95%+ for most weekly distributions
- Current NAV: $34.39
- Shares outstanding: 50,000

---

## 5. The asymmetric structure, decoded

Both funds have independently arrived at the same construction:

```
Synthetic Long = Long GME Call (standard, 100-share deliverable)
                + Short 2GME Put (adjusted, 100-share + 10-warrant deliverable)

Income Leg    = Short GME Call (standard, 100-share deliverable)
```

A clean synthetic long requires matched legs. These aren't matched. The short put's deliverable includes 10 warrants per contract; the long call's deliverable does not. The fund collected premium on the short put that prices in the warrant value; the long call paid premium only for plain GME exposure.

### 5a. Why the premium asymmetry matters

Consider current pricing (April 20, 2026):

- GME = $24.13
- GME.WS = $3.66
- GME1 reference = GME + 0.10 × GME.WS = $24.13 + $0.366 = **$24.496**

The short 2GME put at strike $24.01 is measured against GME1 ($24.496), so it's OTM by $0.486 per share. If it were a standard GME put at $24.01, it would be OTM against GME ($24.13) by only $0.12 per share.

The 2GME put is structurally *further OTM* than an equivalent standard put because the warrant value pushes GME1 above GME. The premium the fund collected at writing reflected this. Market makers priced the warrant inclusion into the put premium.

The fund receives the warrant-inclusive premium but has no warrant-inclusive offset on the long leg. They collected option income priced on $24.50 reference, then deployed the proceeds into a synthetic long referenced to $24.13.

### 5b. The expiration-pricing asymmetry

OCC Memo #57378 specifies that for **expiration processing**, the GME1 price is calculated using a formula that *excludes* warrant value. Auto-exercise thresholds at expiry look at plain GME, not GME1.

This means at expiration:

- A GME1 call struck at $24 with GME at $24.50 **auto-exercises** (ITM on a stock-only basis), and on exercise the call holder receives the full package (100 shares + 10

warrants worth ~$36.60 extra)

- A GME1 put struck at $24.01 with GME at $24 **auto-exercises** (ITM on a stock-only basis), and the put holder delivers 100 shares + 10 warrants to the writer

For the fund's short 2GME put: if GME drifts just below $24.01 at expiration, the put auto-exercises. The fund is forced to purchase 100 shares + 10 warrants at $24.01 × 100 = $2,401. Current market value of that package: $2,413 (100 × $24.13) + $36.60 (10 × $3.66) = $2,450. The fund pays $2,401 and receives $2,450 of deliverable, a $49 gain per contract. Seems favorable.

But consider a reasonable adverse scenario: GME drops to $22 and GME.WS drops to $2 (warrants lose value as GME falls further OTM relative to $32 strike). Now:

- Put auto-exercises (GME well below strike)
- Fund pays $2,401 per contract
- Receives package worth $2,200 + $20 = $2,220
- Loss of $181 per contract, $91,405 on 505 contracts

Compare to a standard (non-adjusted) short put at $24.01 in the same scenario: fund pays $2,401, receives 100 shares worth $2,200, loss of $201 per contract. So the adjusted put is actually *slightly less bad* because of the trailing warrant value.

But here's the second-order issue: the premium the fund originally collected. On the adjusted put, premium was priced against GME1 (~~$24.50 reference at writing). On an equivalent standard put, premium would be priced against GME (~~$24.13 reference). The adjusted put commanded a higher premium. When the adjusted put gets assigned in a downmove, the fund gives back some of that excess premium because the downmove was worse for GME1 than for GME alone (warrants fell too).

The net effect varies by path. In sideways markets, the fund wins on the extra premium. In sharp downmoves, both GME and GME.WS fall and the fund loses on both the put obligation and the warrant depreciation. The fund is short correlation between GME and GME.WS.

### 5c. The rolling cost

Real friction: the 2GME options series has a fraction of the open interest and liquidity of the standard GME series. Rolling positions weekly or monthly in the adjusted series incurs wider bid-ask spreads than rolling in the standard series.

Rough estimate for GME1 options at ATM strikes: bid-ask spreads typically 5–15% of mid-price, vs. 2–5% for standard GME at similar liquidity points. On a roll of 505 contracts worth ~$40,000 notional, an extra 5% spread cost per roll is $2,000. Weekly rolls compound that

to ~$100,000/year in pure execution friction on a $1.27M fund. That's 7.8% annual drag just from the spread.

This is not precise — real spread data requires time-stamped market depth — but the order of magnitude is plausible and directionally meaningful on a fund this small.

---

## 6. Quantifying the bleed through Return of Capital

The cleanest real-world evidence for NAV friction is the ROC composition of distributions. Return of Capital means the fund paid out cash that was not earned as income — it came from shareholders' own capital, reducing NAV.

### 6a. GMEY distribution decomposition, since inception

GMEY distribution history with ROC flags (source: YieldMax disclosures):

| Ex-Date | Distribution | ROC % | Period |
|---|---|---|---|
| 10/16/25 | $2.2391 | 17.67% | Pre-adjustment rollover |
| 10/23/25 | $0.5656 | 96.63% | First post-adjustment |
| 10/30/25 | $0.5345 | 95.85% | |
| 11/06/25 | $0.4912 | 23.16% | |
| 11/13/25 | $0.5175 | 0.00% | |
| 11/20/25 | $0.5160 | 95.40% | |
| 11/28/25 | $0.5104 | 47.60% | |
| 12/04/25 | $1.0160 | 97.76% | Large distribution, mostly capital |
| 12/11/25 | $0.4521 | 96.44% | |
| 12/18/25 | $0.4873 | 0.00% | |
| 12/26/25 | $0.4001 | 94.63% | |
| 01/02/26 | $0.3829 | 5.78% | |
| 01/08/26 | $0.3220 | 31.58% | |
| 01/15/26 | $0.3306 | 94.43% | |

| | | | |
|---|---|---|---|
| 01/22/26 | $0.2020 | 63.67% | |
| 01/29/26 | $0.3639 | 95.19% | |
| 02/05/26 | $0.4113 | 96.20% | |
| 02/12/26 | $0.3892 | 96.11% | |
| 02/19/26 | $0.3711 | 0.00% | |
| 02/26/26 | $0.3752 | 0.00% | |
| 03/05/26 | $0.3743 | 68.00% | |

Twenty-one weekly distributions. Average ROC weighted by distribution size: approximately **60%**.

For comparison, YieldMax's established single-stock income ETFs on names without major corporate actions typically run 20–40% ROC. GMEY's 60% is substantially elevated. Something is costing the fund money that isn't flowing through as option income.

### 6b. IGME same metric

IGME's most recent distribution (3/26/2026) was 57% ROC. Over the trailing 12 months, composition varies but trends high. Distribution rate of 40.38% annualized on a -11.98% NAV return since inception means the fund is paying out most of its accumulated option income and then some.

### 6c. Dollar-sized estimate

GMEY net assets: $1.70M. Weekly distributions average ~$0.45/share × 50,000 shares = $22,500. Annualized: ~$1.17M distribution volume. ROC portion at 60% average: ~$702,000/year coming from capital.

On $1.70M AUM, that's a 41% annual capital erosion rate just from distribution ROC alone. The fund partially offsets this through inflows (share creations), so NAV per share declines more slowly than gross ROC would suggest. But the structural bleed is real, measurable, and consistent with the warrant-adjustment friction hypothesis.

---

## 7. Model: expected P&L under three scenarios to warrant expiry

Assumptions:

- Current: GME = $24.13, GME.WS = $3.66, date 4/20/2026
- Warrant expiry: 10/30/2026 (~193 days away)
- Fund holds structure: Long GME C24 + Short 2GME P24.01 + Short weekly GME C (income leg)
- Weekly rolls of income leg

### Scenario A: GME stays rangebound ($22–$26), warrants decay to ~$1

Most likely scenario given current IV and time remaining.

Income leg: ~$15,000/week theta capture × 27 weeks = ~$400,000 gross Roll friction at 5% wider spreads in 2GME: ~$50,000 drag Short put position: recovers most premium as warrants lose value; slight loss on MTM as implied vol declines Long call position: slow decay, some value retained

Net expected: **modestly positive NAV before distributions, but distributions will outrun** — continued high ROC. Fund NAV per share likely declines 5–10% more from current $25.37 before October.

### Scenario B: GME rallies to $35+, warrants go to $5+

Best case for underlying holders, mixed for fund.

- Short call income leg: gets assigned or rolled up at loss, eats weeks of accumulated premium
- Long call: captures gains but capped by the short income call
- Short 2GME put: expires far OTM, maximum profit on this leg
- Warrants: fund captures no warrant appreciation directly (no holdings)

Net: fund participates in GME rally at 0.3–0.5 delta (capped upside structure). Underperforms GME significantly but distributions remain supported. ROC decreases. NAV could recover 10–15%.

### Scenario C: GME drops to $18, warrants to $1

Worst case for the asymmetric structure.

- Short call income leg: maximum profit as calls expire worthless
- Long call: large loss (goes OTM deeply)
- Short 2GME put: gets assigned at $24.01 on package worth ~$1,810 (100 × $18 + 10 ×

$1). Loss = $591 per contract × 505 = $298,455

- Compounds across multiple roll cycles

Net: severe NAV damage. 20%+ additional decline plausible. Distributions continue but become near-100% ROC.

### Scenario D: Warrants expire worthless, GME flat

The cleanest exit scenario. On November 2, 2026, OCC removes warrants from 2GME deliverable, reverting all adjusted options to standard GME contracts.

- Fund's adjusted put positions convert back to standard puts
- Liquidity improves
- Bid-ask spreads normalize
- Income generation returns to pre-event baseline

If the fund survives to this date without material assignment damage, its forward run rate improves meaningfully. The current high-ROC regime would likely resolve within 2–3 months post-reversion.

---

## 8. What the filings don't directly tell you

Three questions the N-PORT disclosures cannot answer, but that matter:

**1. Realized roll execution costs.** Quarterly filings show positions at a snapshot. They don't capture what the fund paid in bid-ask on each weekly/monthly roll. The 5–15% 2GME spread estimate is directional, not forensic. Annual Form N-CEN and shareholder reports will eventually show total portfolio turnover and brokerage costs but with a lag.

**2. Counterparty concentration.** These are listed options, so OCC is the clearing counterparty. Not a concern. But market makers providing liquidity in 2GME series are a narrow set. If those market makers widen their quotes or reduce participation, friction gets worse. Not visible in current filings.

**3. Warrant hedging dynamics at expiry.** As October 30, 2026 approaches, if warrants remain deeply OTM, they approach $0. The 2GME deliverable value converges to plain GME deliverable value. Market pricing of GME1 ≈ GME. The asymmetry resolves mechanically. But if GME rallies sharply into the warrant expiry (say to $40+), warrants become valuable, GME1 diverges from GME materially, and the fund's short 2GME put obligations become very expensive. This is the tail risk and it's binary on the October expiry date.

## 9. The thesis in four sentences

IGME and GMEY are running asymmetric synthetic books where the long leg references standard GME and the short put leg references the adjusted 2GME contract with warrant deliverable. This asymmetry produces extra premium on the short side that is partially offset by wider roll spreads, correlation risk between GME and GME.WS, and the OCC's warrant-excluded expiration pricing rule. The bleed is showing up as elevated ROC in distributions, not as a single accounting line item. It resolves mechanically on or around November 2, 2026 when the OCC reverts 2GME contracts to standard deliverables.

For anyone pricing these ETFs as GME proxies: you are not buying capped GME exposure. You are buying capped GME exposure *plus* a short position in GME / GME.WS correlation, priced against thin warrant-series liquidity, until October 2026. The price-return chart reflects this. The total return chart partially masks it through distributions that are mostly your own capital.

---

## 10. What would strengthen or weaken this thesis

**Strengthen:**

- Next quarterly N-PORT from IGME or GMEY showing widened realized trading costs
- Continued ROC averaging >50% on distributions through Q2/Q3 2026
- A GME rally into warrant expiry causing visible fund NAV damage
- Bitwise or YieldMax commentary in shareholder reports flagging adjustment friction

**Weaken:**

- ROC normalizing below 40% despite holdings pattern continuing
- Fund sponsors publishing explicit cost-of-corporate-action analysis showing it's minimal
- Warrants extending beyond October 2026 (would prolong the regime but also prolong the income)
- Either fund shifting to 100% standard GME options (they can; they haven't)

---

## Primary sources

- OCC Information Memo #57373 (October 2, 2025)
- OCC Information Memo #57378 (October 3, 2025)
- OCC Information Memo #57391 (October 8, 2025)
- BOX Exchange Memo #207290 / OCC #57253 (October 2, 2025)
- GameStop Corp. press release, September 9, 2025: “GameStop Announces Dividend of Warrants to Shareholders”
- IGME N-PORT Schedule of Investments, September 30, 2025 (unaudited), filed by Bitwise Funds Trust
- IGME current holdings, igmeetf.com, as of 04/16/2026
- GMEY current holdings, yieldmaxetfs.com, as of 03/05/2026
- GME.WS market data, NYSE, as of 04/20/2026


---

*Independent analysis. Not investment advice. Everything here is drawn from publicly filed documents and publicly quoted market data. Errors are mine.*